

**MOC-FLOYD VALLEY
COMMUNITY SCHOOL DISTRICT
INDEPENDENT AUDITORS' REPORT**

JUNE 30, 2009

**MOC-FLOYD VALLEY COMMUNITY SCHOOL DISTRICT
FOR THE YEAR ENDED JUNE 30, 2009
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MOC-FLOYD VALLEY COMMUNITY SCHOOL DISTRICT

BOARD MEMBERS AND OFFICIALS

June 30, 2009

Board of Education (Before September 15, 2008 Election)

| <u>Name</u> | | <u>Term Expires</u> |
|-------------------|----------------|---------------------|
| Deborah De Haan | President | 2008 |
| Gerald Van Roekel | Vice President | 2010 |
| Derrick De Haan | Board Member | 2008 |
| Patti Thayer | Board Member | 2010 |
| Dan Duistermars | Board Member | 2009 |

Board of Education (After September 15, 2008 Election)

| | | |
|-------------------|----------------|------|
| Deborah De Haan | President | 2011 |
| Gerald Van Roekel | Vice President | 2009 |
| Dan Duistermars | Board Member | 2009 |
| Shane Jager | Board Member | 2011 |
| Patti Thayer | Board Member | 2011 |

Officials

| | | |
|------------------|-----------------|------|
| Gary Richardson | Superintendent | 2009 |
| Leann Evenhuis | Board Secretary | 2009 |
| Scott Kooiman | Board Treasurer | 2009 |
| Stephen F. Avery | Attorney | 2009 |



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INDEPENDENT AUDITORS' REPORT

To the Board of Education of
MOC-Floyd Valley Community School District
Orange City, Iowa

We have audited the accompanying financial statements of the governmental activities, the business-type activity, each major fund, and the aggregate remaining fund information of the MOC-Floyd Valley Community School District as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the MOC-Floyd Valley Community School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activity, each major fund, and the aggregate remaining fund information of MOC-Floyd Valley Community School District as of June 30, 2009 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 7, 2009 on our consideration of the MOC-Floyd Valley Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages 4 through 13 and 38 through 39 are not a required part of the basic financial statements but are supplementary information required by U.S. generally accepted accounting principals. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise MOC-Floyd Valley Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial

statements for the five years ended June 30, 2008 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 8, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget Circular A-133, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects, in relation to the basic financial statements taken as a whole.

Williams & Company, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

Le Mars, Iowa
December 7, 2009

MOC-FLOYD VALLEY MANAGEMENT DISCUSSION AND ANALYSIS

MOC-Floyd Valley School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2009. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2009 FINANCIAL HIGHLIGHTS

General fund revenues increased from \$11,778,638 in fiscal 2008 to \$12,063,426 in fiscal 2009, an approximate 2.5% increase, while General fund expenditures increased from \$11,469,420 in fiscal 2008 to \$12,182,245 in fiscal 2009, an appropriate 8.2% increase. The District's General fund balance decreased from \$1,069,876 in fiscal 2008 to \$954,518 in fiscal 2009, a 10.7% decrease.

The increase in General fund revenues was attributable due to an overall increase in property taxes, state aid and state categorical funding in 2009. The main increase in categorical funding came from Teacher Quality and Universal Pre-School. A similar increase in expenditures for Teacher Quality and Universal Pre-School was also seen.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of MOC-Floyd Valley Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report MOC-Floyd Valley Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the non-major Special Revenue Funds, Capital Project Funds, and Debt Service Fund. In addition, the Schedule of Expenditures of Federal Awards provides details of various programs benefiting the District.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

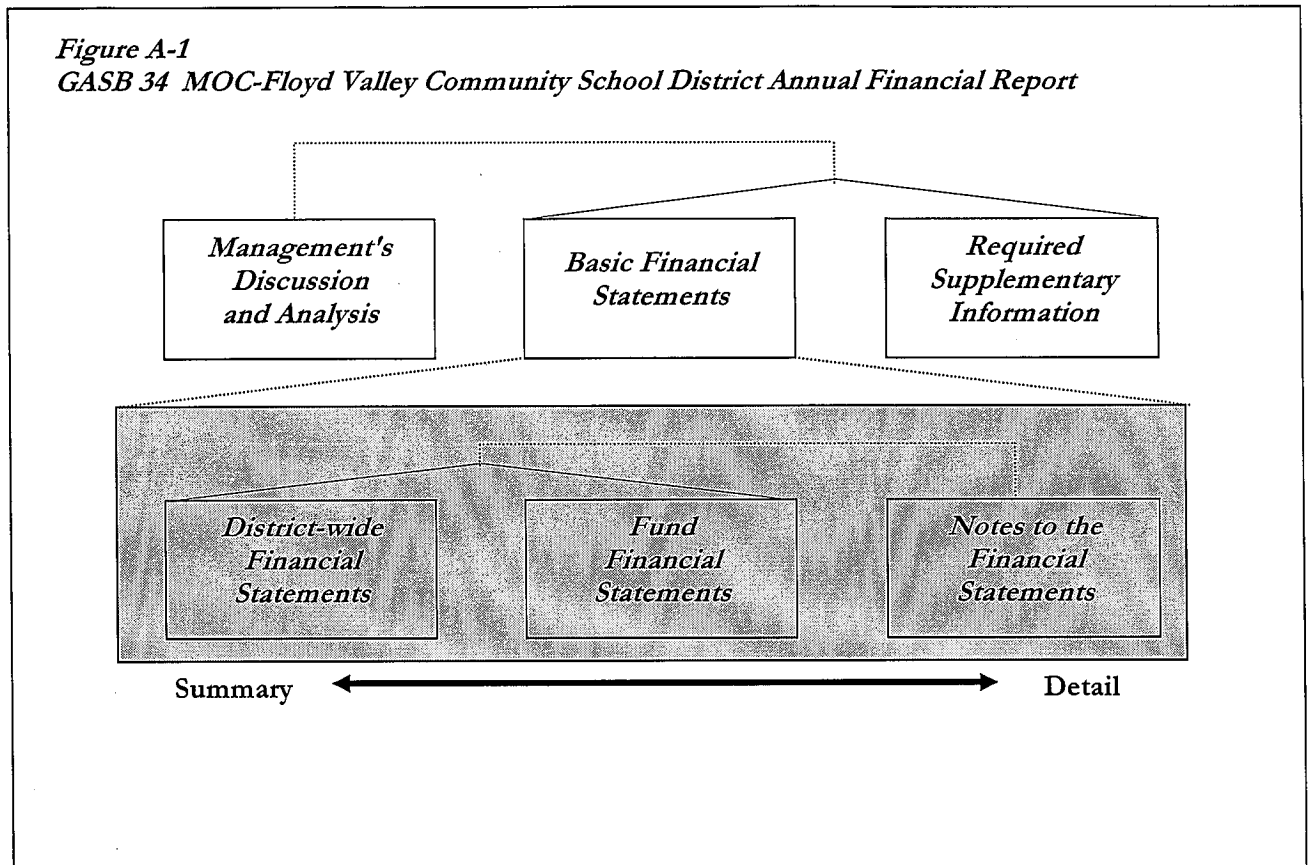


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

| Figure A-2 Major Features of the Government-wide and Fund Financial Statements | | | | |
|---|--|--|--|---|
| | Government-wide Statements | Fund Statements | | |
| | | Governmental Funds | Proprietary Funds | Fiduciary Funds |
| Scope | Entire District (except fiduciary funds) | The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance | Activities the District operates similar to private businesses: food services and adult education | Instances in which the District administers resources on behalf of someone else, such as scholarship programs |
| Required financial statements | <ul style="list-style-type: none"> • Statement of net assets • Statement of activities | <ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures and changes in fund balances | <ul style="list-style-type: none"> • Statement of net assets • Statement of revenues, expenses and changes in fund net assets • Statement of cash flows | <ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets |
| Accounting basis and measurement focus | Accrual accounting and economic resources focus | Modified accrual accounting and current financial resources focus | Accrual accounting and economic resources focus | Accrual accounting and economic resources focus |
| Type of asset/liability information | All assets and liabilities, both financial and capital, short-term and long-term | Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included | All assets and liabilities, both financial and capital, short-term and long-term | All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can |

| | | | | |
|---|--|--|---|---|
| Type of inflow/ outflow information | All revenues and expenses during year, regardless of when cash is received or paid | Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter | All revenues and expenses during the year, regardless of when cash is received or paid | All additions and deductions during the year, regardless of when cash is received or paid |
|---|--|--|---|---|

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show that it is properly using certain revenues, such as federal grants.

The District has three kinds of funds:

- 1) *Governmental funds*: Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund and Capital Project Funds.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds*: Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Fund, one type of proprietary fund, are the same as its business type activity, but provide more detail and additional information, such as cash flows. The District currently has one Enterprise Fund, the School Nutrition Fund.

The required financial statements for proprietary funds include a statement of net assets, a statement of revenues, expenses and changes in fund net assets and a statement of cash flows.

- 3) *Fiduciary Funds*: The District is the trustee, or fiduciary, for assets that belong to others. The District's only fiduciary fund is an agency fund for the District's flex cafeteria plan for employees.

The District is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes this activity from the government-wide statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds includes a statement of fiduciary net assets and a statement of changes in fiduciary net assets.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2008 and 2009.

Figure A-3 Condensed Statement of Net Assets

| | Governmental Activities | | Business-type Activities | | Total District | | Total % Change |
|--|-------------------------|---------------------|--------------------------|-------------------|---------------------|---------------------|-------------------|
| | 2008 | 2009 | 2008 | 2009 | 2008 | 2009 | |
| Current and other assets | \$ 7,461,876 | \$ 8,274,618 | \$ 101,508 | \$ 131,078 | \$ 7,563,384 | \$ 8,405,696 | 11.1% |
| Capital Assets | 11,337,662 | 11,233,317 | 52,689 | 76,813 | 11,390,351 | 11,310,130 | -0.7% |
| Total Assets | 18,799,538 | 19,507,935 | 154,197 | 207,891 | 18,953,735 | 19,715,826 | 4.0% |
| Current Liabilities | 6,650,175 | 7,022,738 | 18,672 | 30,190 | 6,668,847 | 7,052,928 | 5.8% |
| Long-Term Liabilities | 3,737,642 | 2,980,212 | 5,690 | 4,490 | 3,743,332 | 2,984,702 | -20.3% |
| Total Liabilities | 10,387,817 | 10,002,950 | 24,362 | 34,680 | 10,412,179 | 10,037,630 | -3.6% |
| Net Assets Invested in capital assets, net of related debt | 6,882,446 | 7,483,595 | 52,689 | 76,813 | 6,935,135 | 7,560,408 | 9.0% |
| Restricted | 331,573 | 460,568 | - | - | 331,573 | 460,568 | 38.9% |
| Unrestricted | 1,197,702 | 1,560,822 | 77,146 | 96,398 | 1,274,848 | 1,657,220 | 30.0% |
| Total Net Assets | \$ 8,411,721 | \$ 9,504,985 | \$ 129,835 | \$ 173,211 | \$ 8,541,556 | \$ 9,678,196 | 13.3% |

The District's combined net assets increased by 13.3%, or approximately \$1,136,640 over the prior year. The largest portion of the District's net assets is the investment in capital assets, less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets. For FY09, long term liabilities showed a decrease of approximately 20.3% due to payments on the PPEL loan and SILO revenue bonds. This will continue for several years.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions, or enabling legislation on how they can be used. The District's restricted net assets increased over \$128,995 or 38.9% from the prior year. The increase was primarily a result of increased restrictions for categorical funding, special revenue fund, and other special revenue purposes.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – increased approximately \$382,372 or 30.0%. This is due primarily to the inclusion of future income surtaxes required to be stated on the financial statements.

Figure A-4 shows the change in net assets for the year ended June 30, 2008 and 2009.

Figure A-4 Changes in Net Assets from Operations

| | Governmental Activities | | Business-type Activities | | Total District | | Total % Change |
|------------------------------------|-------------------------|-------------------|--------------------------|------------------|-------------------|-------------------|-------------------|
| | 2008 | 2009 | 2008 | 2009 | 2008 | 2009 | |
| Revenue: | | | | | | | |
| Program Revenue: | | | | | | | |
| Charges for Services | \$ 682,260 | \$ 612,908 | \$ 379,738 | \$ 429,117 | \$ 1,061,998 | \$ 1,042,025 | -1.9% |
| Operating Grants and Contributions | 1,861,467 | 2,260,388 | 188,328 | 196,457 | 2,049,795 | 2,456,845 | 19.9% |
| Capital Grants and Contributions | 226,346 | 134,277 | - | - | 226,346 | 134,277 | -40.7% |
| General Revenues: | | | | | | | |
| Property Tax | 4,436,290 | 4,343,972 | - | - | 4,436,290 | 4,343,972 | -2.1% |
| Instructional Support Surtax | 606,172 | 612,335 | - | - | 606,172 | 612,335 | 1.0% |
| Local Option Sales Tax | 699,945 | 996,628 | - | - | 699,945 | 996,628 | 42.4% |
| Unrestricted State Grants | 4,854,328 | 5,132,101 | - | - | 4,854,328 | 5,132,101 | 5.7% |
| Unrestricted Investment | 111,734 | 54,455 | 2,062 | 1,889 | 113,796 | 56,344 | -50.5% |
| Other | 28,540 | 38,898 | 3,069 | 3,814 | 31,609 | 42,712 | 35.1% |
| TOTAL REVENUES | 13,507,082 | 14,185,962 | 573,197 | 631,277 | 14,080,279 | 14,817,239 | 5.2% |
| Program Expenses: | | | | | | | |
| Instruction | 8,590,348 | 9,310,992 | - | - | 8,590,348 | 9,310,992 | 8.4% |
| Support Services | 3,346,514 | 3,444,834 | - | - | 3,346,514 | 3,444,834 | 2.9% |
| Non-instructions Programs | 11,799 | 15,187 | 574,512 | 587,901 | 586,311 | 603,088 | 2.9% |
| Other Expenses | 798,013 | 817,395 | - | - | 798,013 | 817,395 | 2.4% |
| TOTAL EXPENSES | 12,746,674 | 13,588,408 | 574,512 | 587,901 | 13,321,186 | 14,176,309 | 6.4% |
| Change in Net Assets | \$ 760,408 | \$ 597,554 | \$ (1,315) | \$ 43,376 | \$ 759,093 | \$ 640,930 | -15.6% |

Property tax, local option sales tax, and unrestricted state grants account for 70.7% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 94.2% of the total expenses.

Governmental Activities

Figure A-5 presents the cost of four major district activities: instruction, support services, non-instructional programs and other expenses. The table also shows each activity's net cost (total cost less fees generated by the activities and intergovernmental aid provided for specific programs). The net cost shows the financial impact placed on the taxpayers by each function.

Figure A-5 Net Cost of Governmental Activities

| | Total Cost of Services | | | Net Cost of Services | | |
|-------------------|------------------------|--------------|----------|----------------------|--------------|----------|
| | 2008 | 2009 | % Change | 2008 | 2009 | % Change |
| Instruction | \$ 8,590,348 | \$9,310,992 | 8.4% | \$ 6,464,968 | \$6,993,423 | 8.2% |
| Support Services | 3,346,514 | 3,444,834 | 2.9% | 3,198,696 | 3,300,246 | 3.2% |
| Non-Instructional | 11,799 | 15,187 | 28.7% | 9,016 | 9,220 | 2.3% |
| Other | 798,013 | 817,395 | 2.4% | 303,921 | 277,946 | -8.5% |
| TOTAL | \$12,746,674 | \$13,588,408 | 6.6% | \$ 9,976,601 | \$10,580,835 | 6.1% |

- The cost financed by users of the District's programs was \$612,908.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$2,394,665.
- The net cost of governmental activities was financed with \$5,952,935 in property and other taxes and \$5,132,101 in unrestricted state grants.

Business Type Activities

Revenues of the District's business type activities were \$631,277 and expenses were \$587,901. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income. The district provides breakfast and noon meals to the local day care program.

INDIVIDUAL FUND ANALYSIS

As previously noted, MOC-Floyd Valley Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$1,542,551, a decrease over last year's ending fund balances of \$1,577,359. The balance reflects a significant decrease in the General Fund fund balance, and a slight increase in the Other Governmental Funds fund balance.

Governmental Fund Highlights

- The decline in the District's General Fund financial position is the result of a 1.5% across the board cut in state aid received late in the year. In addition, the levy for cash reserve was greatly reduced from the prior year.
- The June 2009 fiscal balance in the Other Governmental Funds increased by \$80,500. This was largely due to the increased balance in the Management Fund.

Proprietary Fund Highlights

The School Nutrition Fund net assets increased significantly from \$129,835 at June 30, 2008 to \$173,211 at June 30, 2009. Lunch and breakfast prices were raised due to an anticipated rise in food costs. Sales of services to the Day Care also increased.

BUDGETARY HIGHLIGHTS

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following a required public notice and hearing. The budget may be amended during the year utilizing statutorily prescribed procedures. The District's budget is prepared on the accrual basis. During the year, expenditures did not exceed the certified amounts. Detail can be found in the supplementary information section of this report as required.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2009, the District had invested \$20,291,449 in a broad range of assets, including school buildings, athletic facilities, computer and audio-visual equipment, and administrative offices. (See Figure A-6) More detailed information about capital assets can be found in Note 5 to the financial statements. Total depreciation expense for governmental funds for the year was \$567,769 and \$8,340 for Food Service Operations.

Figure A-6 Capital Assets

| | Governmental Activities | | Business-type Activities | | Total District | | Total % |
|-----------------------------------|-------------------------|---------------------|--------------------------|------------------|---------------------|---------------------|-------------|
| | 2008 | 2009 | 2008 | 2009 | 2008 | 2009 | Change |
| Land | \$ 247,000 | \$ 247,000 | \$ - | \$ - | \$ 247,000 | \$ 247,000 | 0.0% |
| Buildings | 16,324,284 | 16,497,269 | - | - | 16,324,284 | 16,497,269 | 1.1% |
| Improvements other than buildings | 745,822 | 836,446 | - | - | 745,822 | 836,446 | 12.2% |
| Furniture and Equipment | 2,652,145 | 2,588,188 | 93,817 | 122,546 | 2,745,962 | 2,710,734 | -1.3% |
| Total Assets | \$19,969,251 | \$20,168,903 | \$ 93,817 | \$122,546 | \$20,063,068 | \$20,291,449 | 1.1% |

Long-Term Debt

At year end, the District had \$399,880 in general obligation bonds outstanding, \$3,312,342 in LOST revenue bonds outstanding, \$37,500 in notes, \$43,690 in early retirement obligations and \$25,620 in compensated absences. This is a decrease of \$710,916 from the prior year. The decrease is largely due to the repayment of general obligation bonds and LOST revenue bonds. An additional liability was incurred with the purchase of the Lincoln property, adjacent to the middle school. Additional information about the District's long-term debt is presented in Note 6 to the financial statements.

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- The District enrollment for 2009-10 remains stable which will positively affect the 2010-11 budget.
- There continues to be some economic expansion in the community.
- Because of the economic downturn, during the 2008-09 fiscal year, the district experienced a 1.5 percent cut in state aide amounting to \$197,357. \$107,922 of that state aide was replaced with the American Recovery and Reinvestment Act funds.
- During the 2009-10 fiscal year, \$559,468 of the district's state aide will be replaced with funding through the American Recovery and Reinvestment Act. The ARRA funds will provide for the instructional support state aide in the amount of \$35,325. The district will receive an additional \$72,997 in ARRA funds, designated for Title I and an additional \$245,691 designated for Special Education. \$5,612 has been awarded to be used for professional development for the Iowa Core Curriculum. Districts have been instructed to use the American Recovery and Reinvestment Act funding to create or save jobs, to spend it quickly and wisely in a manner to avoid the funding cliff in FY2011.
- For the 2009-10 fiscal year, Phase I funding from the state, which has been around for over twenty years, has been eliminated. The district has just received news of a 10% across the board reduction in state aide for the 2009-10 fiscal year which will total \$627,500. Needless to say, the financial forecast for the next several years looks bleak.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Leann Evenhuis, District Secretary/Treasurer and Business Manager, MOC-Floyd Valley Consolidated School District, 1301 8th Street SE, Orange City Iowa 51041.

MOC-FLOYD VALLEY COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2009

| | Governmental Activities | Business Type Activity | Total |
|--|----------------------------|------------------------------|--------------|
| ASSETS | | | |
| Cash and Pooled Investments | \$ 2,568,499 | \$ 102,745 | \$ 2,671,244 |
| Receivables: | | | |
| Property Tax | 42,589 | - | 42,589 |
| Succeeding Year Property Tax | 4,585,066 | - | 4,585,066 |
| Income Surtax | 529,357 | - | 529,357 |
| Accounts | 14,973 | 7,376 | 22,349 |
| Due from Other Governments | 462,053 | - | 462,053 |
| Restricted Assets: | | | |
| Cash and Pooled Investments | 61,718 | - | 61,718 |
| Inventories | - | 20,957 | 20,957 |
| Bond Issue Costs | 10,363 | - | 10,363 |
| Land | 247,000 | - | 247,000 |
| Infrastructure, Property and Equipment, Net of Accumulated Depreciation | 10,986,317 | 76,813 | 11,063,130 |
| Total Assets | 19,507,935 | 207,891 | 19,715,826 |
| LIABILITIES | | | |
| Accounts Payable | 301,164 | 11,126 | 312,290 |
| Salaries and Benefits Payable | 1,221,416 | 5,437 | 1,226,853 |
| Accrued Interest Payable | 14,968 | - | 14,968 |
| Unearned Revenue | 61,304 | 13,627 | 74,931 |
| Deferred Revenue - Succeeding Year Taxes | 4,585,066 | - | 4,585,066 |
| Noncurrent Liabilities: | | | |
| Due Within One Year: | | | |
| Notes Payable | 12,500 | - | 12,500 |
| Bonds Payable | 782,630 | - | 782,630 |
| Early Retirement Payable | 43,690 | - | 43,690 |
| Due in More Than One Year: | | | |
| Notes Payable | 25,000 | - | 25,000 |
| Accrued Compensated Absences | 25,620 | 4,490 | 30,110 |
| Bonds Payable | 2,929,592 | - | 2,929,592 |
| Total Liabilities | 10,002,950 | 34,680 | 10,037,630 |
| NET ASSETS | | | |
| Invested in Capital Assets, Net of Related Debt | 7,483,595 | 76,813 | 7,560,408 |
| Restricted for: | | | |
| Categorical Funding | 45,627 | - | 45,627 |
| Debt Service | 61,718 | - | 61,718 |
| Management Levy | 95,735 | - | 95,735 |
| Physical Plant and Equipment Levy | 131,215 | - | 131,215 |
| Other Special Purposes | 126,273 | - | 126,273 |
| Unrestricted | 1,560,822 | 96,398 | 1,657,220 |
| Total Net Assets | \$ 9,504,985 | \$ 173,211 | \$ 9,678,196 |

See Accompanying Notes to Financial Statements

MOC-FLOYD VALLEY COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2009

| Functions/Programs | Expenses | Program Revenues | | |
|---|--------------------------|-------------------------|--------------------------------------|------------------------------------|
| | | Charges for Services | Operating Grants Contributions | Capital Grants Contributions |
| Governmental Activities: | | | | |
| Instruction: | | | | |
| Regular Instruction | \$ 6,565,053 | \$ 204,055 | \$ 1,223,331 | \$ 118,372 |
| Special Instruction | 1,623,223 | 45,770 | 329,675 | - |
| Other Instruction | 1,122,716 | 355,915 | 40,451 | - |
| Support Services: | | | | |
| Student Services | 387,802 | - | - | - |
| Instructional Staff Services | 474,657 | - | - | - |
| Administration Services | 1,034,061 | - | - | - |
| Operation and Maintenance | 1,026,137 | 7,168 | - | - |
| Transportation Services | 522,177 | - | 121,515 | 15,905 |
| Non-instructional Programs | 15,187 | - | 5,967 | - |
| Other Expenditures: | | | | |
| Facilities Acquisition and Construction Services | 91,918 | - | 16,464 | - |
| Long-term Debt Interest | 202,492 | - | - | - |
| AEA Flowthrough | 522,985 | - | 522,985 | - |
| Total governmental activities | <u>13,588,408</u> | <u>612,908</u> | <u>2,260,388</u> | <u>134,277</u> |
| Business Type Activity: | | | | |
| Non-instructional Programs | | | | |
| Food Service Operations | <u>587,901</u> | <u>429,117</u> | <u>196,457</u> | |
| Total | <u>\$ 14,176,309</u> | <u>\$ 1,042,025</u> | <u>\$ 2,456,845</u> | <u>\$ 134,277</u> |
| General Revenues: | | | | |
| Property Tax Levied For: | | | | |
| General Purposes | | | | |
| Capital Outlay | | | | |
| Instructional Support Surtax | | | | |
| Local Option Sales Tax | | | | |
| Unrestricted State Grants | | | | |
| Unrestricted Investment Earnings | | | | |
| Other | | | | |
| Total general revenues and transfers | | | | |
| Change in net assets | | | | |
| Net assets - beginning | | | | |
| Prior Period Adjustment | | | | |
| Net assets - beginning, as restated | | | | |
| Net assets - ending | | | | |

See Accompanying Notes to Financial Statements

**Net (Expense) Revenue
and Changes in Net Assets**

| Governmental Activities | Business Type Activity | Total |
|------------------------------------|-----------------------------------|---------------------|
| \$ (5,019,295) | | \$ (5,019,295) |
| (1,247,778) | | (1,247,778) |
| (726,350) | | (726,350) |
| (387,802) | | (387,802) |
| (474,657) | | (474,657) |
| (1,034,061) | | (1,034,061) |
| (1,018,969) | | (1,018,969) |
| (384,757) | | (384,757) |
| (9,220) | | (9,220) |
| (75,454) | | (75,454) |
| (202,492) | | (202,492) |
| - | | - |
| <u>(10,580,835)</u> | | <u>(10,580,835)</u> |
| | \$ 37,673 | 37,673 |
| <u>(10,580,835)</u> | <u>37,673</u> | <u>(10,543,162)</u> |
| 3,971,616 | - | 3,971,616 |
| 372,356 | - | 372,356 |
| 612,335 | - | 612,335 |
| 996,628 | - | 996,628 |
| 5,132,101 | - | 5,132,101 |
| 54,455 | 1,889 | 56,344 |
| 38,898 | 3,814 | 42,712 |
| <u>11,178,389</u> | <u>5,703</u> | <u>11,184,092</u> |
| 597,554 | 43,376 | 640,930 |
| 8,411,721 | 129,835 | 8,541,556 |
| 495,710 | - | 495,710 |
| <u>8,907,431</u> | <u>129,835</u> | <u>9,037,266</u> |
| <u>\$ 9,504,985</u> | <u>\$ 173,211</u> | <u>\$ 9,678,196</u> |

See Accompanying Notes to Financial Statements

MOC-FLOYD VALLEY COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2009

| | General | Other Governmental Funds | Total Governmental Funds |
|---|--------------|--------------------------------|--------------------------------|
| ASSETS | | | |
| Cash and Pooled Investments | \$ 2,116,214 | \$ 452,029 | \$ 2,568,243 |
| Receivables: | | | |
| Property Tax | 36,323 | 6,266 | 42,589 |
| Succeeding Year Property Tax | 3,943,950 | 641,116 | 4,585,066 |
| Income Surtax | 529,357 | - | 529,357 |
| Accounts | 5,059 | 9,914 | 14,973 |
| Due from Other Governments | 311,569 | 150,484 | 462,053 |
| Restricted Assets: | | | |
| Cash and Pooled Investments | - | 61,718 | 61,718 |
| Total Assets | 6,942,472 | 1,321,527 | 8,263,999 |
| LIABILITIES AND FUND BALANCES | | | |
| Liabilities: | | | |
| Accounts Payable | 231,537 | 68,981 | 300,518 |
| Due to Other Funds | 390 | - | 390 |
| Salaries and Benefits Payable | 1,221,416 | - | 1,221,416 |
| Early Retirement Payable | - | 23,397 | 23,397 |
| Unearned Revenue | 61,304 | - | 61,304 |
| Deferred Revenue - Succeeding Year Taxes | 3,943,950 | 641,116 | 4,585,066 |
| Deferred Revenue - Income Surtax | 529,357 | - | 529,357 |
| Total Liabilities | 5,987,954 | 733,494 | 6,721,448 |
| Fund Balances: | | | |
| Reserved for: | | | |
| Categorical Funding | 45,627 | - | 45,627 |
| Debt Service | - | 61,718 | 61,718 |
| Unreserved for: | | | |
| General Fund | 908,891 | - | 908,891 |
| Special Revenue Fund | - | 373,516 | 373,516 |
| Capital Project Fund | - | 152,799 | 152,799 |
| Total Fund Balances | 954,518 | 588,033 | 1,542,551 |
| Total Liabilities and Equity | \$ 6,942,472 | \$ 1,321,527 | \$ 8,263,999 |

**MOC - FLOYD VALLEY COMMUNITY SCHOOL DISTRICT
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2009**

Amounts reported for Governmental Activities in the Statement of Net assets are different because:

| | |
|--|----------------------------|
| Total Fund Balance - Governmental Funds (page 17) | \$ 1,542,551 |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds. | 11,233,317 |
| Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds. | (14,968) |
| Bond issue costs are reported in the governmental activities but are not reported in the governmental funds as they do not provide current economic resources. | 10,363 |
| Unearned revenues from the balance sheet that provide current financial resources for governmental activities. | 529,357 |
| Accrued compensated absences not reported on the modified accrual basis. | (25,620) |
| Long-term liabilities, including bonds payable, lease obligations payable, and early retirement payable are not due and payable in the current period and therefore are not reported in the funds. | <u>(3,770,015)</u> |
| Total Net Assets - Governmental Activities (page 14) | <u><u>\$ 9,504,985</u></u> |

MOC-FLOYD VALLEY COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2009

| | General | Other Governmental Funds | Total Governmental Funds |
|---|-------------------|--------------------------------|--------------------------------|
| REVENUE: | | | |
| Local Sources: | | | |
| Local Tax | \$ 4,252,145 | \$ 1,668,734 | \$ 5,920,879 |
| Tuition | 206,596 | - | 206,596 |
| Other | 110,717 | 405,354 | 516,071 |
| State Sources | 6,855,261 | 487 | 6,855,748 |
| Federal Sources | 638,707 | - | 638,707 |
| Total Revenue | <u>12,063,426</u> | <u>2,074,575</u> | <u>14,138,001</u> |
| EXPENDITURES: | | | |
| Current: | | | |
| Instruction: | | | |
| Regular Instruction | 6,165,217 | 83,627 | 6,248,844 |
| Special Instruction | 1,620,557 | - | 1,620,557 |
| Other Instruction | 757,763 | 329,571 | 1,087,334 |
| Support Services: | | | |
| Student Services | 381,399 | 6,418 | 387,817 |
| Instructional Staff Services | 428,900 | 42,229 | 471,129 |
| Administration Services | 993,816 | 29,421 | 1,023,237 |
| Operation and Maintenance | 863,695 | 108,186 | 971,881 |
| Transportation Services | 441,946 | 105,216 | 547,162 |
| Non-instructional Programs | 5,967 | 9,220 | 15,187 |
| Other Expenditures: | | | |
| Facilities Acquisition and Construction | | | |
| Services | - | 355,452 | 355,452 |
| Long-term Debt: | | | |
| Principal | - | 768,865 | 768,865 |
| Interest and Fiscal Charges | - | 202,359 | 202,359 |
| AEA Flowthrough | 522,985 | - | 522,985 |
| Total Expenditures | <u>12,182,245</u> | <u>2,040,564</u> | <u>14,222,809</u> |
| Excess (Deficiency) of Revenues Over Expenditures | <u>(118,819)</u> | <u>34,011</u> | <u>(84,808)</u> |
| Other Financing Sources (Uses): | | | |
| Transfers In | 3,461 | 980,520 | 983,981 |
| Transfers Out | - | (983,981) | (983,981) |
| Issuance of Long-Term Debt | - | 50,000 | 50,000 |
| Total Other Financing Sources (Uses) | <u>3,461</u> | <u>46,539</u> | <u>50,000</u> |
| Net Change in Fund Balances | (115,358) | 80,550 | (34,808) |
| Fund Balances - Beginning of Year | 1,069,876 | 507,483 | 1,577,359 |
| Fund Balances - End of Year | <u>\$ 954,518</u> | <u>\$ 588,033</u> | <u>\$ 1,542,551</u> |

See Accompanying Notes to Financial Statements

MOC-FLOYD VALLEY COMMUNITY SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2009

Amounts reported for governmental activities in the statement of activities are different because:

| | | |
|--|----|----------|
| Net change in fund balances - total governmental funds (page 19) | \$ | (34,808) |
|--|----|----------|

Governmental funds report capital outlays, including infrastructure, as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Capital outlays exceeded depreciation expense in the current year as follows:

| | | |
|---------------------------------|------------------|-----------|
| Expenditures for capital assets | \$ 454,340 | |
| Depreciation expense | <u>(567,769)</u> | (113,429) |

| | | |
|--|--|--------|
| Capital contributions reported in the Statement of Activities that do not provide current financial resources and are not reported as revenues in the funds. | | 15,905 |
|--|--|--------|

| | | |
|---|--|---------|
| Governmental funds report only the proceeds from the sale of capital assets as revenue whereas the statement of activities reports the gain or loss on the sale or disposal of fixed assets. This is the effect on the change in net assets on the statement of activities. | | (6,821) |
|---|--|---------|

| | | |
|---|--|-------|
| Accrued interest expense that does not require current financial resources. | | 2,875 |
|---|--|-------|

| | | |
|---|--|--------|
| Revenues in the statement of activities that do not provide current financial resources are not reported as revenues. | | 32,056 |
|---|--|--------|

| | | |
|---|--|----------|
| Internal service funds are used by management to fund and maintain the District's health insurance provided to user departments. The net loss of the internal service funds is reported with governmental activities. | | (10,283) |
|---|--|----------|

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:

| | | |
|------------------|--|---------|
| Early retirement | | (3,598) |
|------------------|--|---------|

| | | |
|--|--|---------|
| The effect of bond issuance costs when new debt is issued, whereas, these amounts are deferred and amortized in the Statement of Activities. | | (3,008) |
|--|--|---------|

| | | |
|--|--|-------|
| Long-term accrual of compensated absences is not reported in the governmental funds as it does not consume current financial resources. The net change in the long-term compensated absences for the year was: | | (200) |
|--|--|-------|

| | | |
|--|--|----------|
| Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets | | (50,000) |
|--|--|----------|

The repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. The principal paid on long-term debt during the current year was as follows:

| | | |
|---------------------------|--------------|----------------|
| Bonds payable | 747,015 | |
| Notes payable | 12,500 | |
| Lease obligations payable | <u>9,350</u> | <u>768,865</u> |

| | | |
|---|----|----------------|
| Change in net assets of governmental activities (page 16) | \$ | <u>597,554</u> |
|---|----|----------------|

MOC-FLOYD VALLEY COMMUNITY SCHOOL DISTRICT
COMBINING STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2009

| | Business Type Activity School Nutrition Fund | Governmental Activities Internal Service |
|--|---|---|
| ASSETS | | |
| Current Assets: | | |
| Cash and Pooled Investments | \$ 102,745 | \$ 256 |
| Inventories | 20,957 | - |
| Receivables: | | |
| Accounts | 7,376 | - |
| Due from Other Funds | - | 390 |
| Total Current Assets | <u>131,078</u> | <u>646</u> |
| Noncurrent Assets: | | |
| Infrastructure, Property and Equipment, Net of Accumulated Depreciation | <u>76,813</u> | <u>-</u> |
| Total Noncurrent Assets | <u>76,813</u> | <u>-</u> |
| Total Assets | <u>207,891</u> | <u>646</u> |
| LIABILITIES | | |
| Current Liabilities: | | |
| Accounts Payable | 11,126 | 646 |
| Salaries and Benefits Payable | 5,437 | - |
| Unearned Revenue | 13,627 | - |
| Total Current Liabilities | <u>30,190</u> | <u>646</u> |
| Noncurrent Liabilities: | | |
| Accrued Compensated Absences | <u>4,490</u> | <u>-</u> |
| Total Noncurrent Liabilities | <u>4,490</u> | <u>-</u> |
| Total Liabilities | <u>34,680</u> | <u>646</u> |
| NET ASSETS | | |
| Invested in Capital Assets, Net of Related Debt | 76,813 | - |
| Unrestricted | 96,398 | - |
| Total Net Assets | <u>\$ 173,211</u> | <u>\$ -</u> |

MOC-FLOYD VALLEY COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2009

| | Business Type Activity School Nutrition Fund | Governmental Activities Internal Service |
|--|---|---|
| Operating Revenues: | | |
| Charges for services | \$ 429,117 | \$ 390 |
| Miscellaneous | 3,814 | - |
| Total Operating Revenue | 432,931 | 390 |
| Operating Expenditures: | | |
| Non-Instructional Programs: | | |
| Food Service Operations: | | |
| Salaries | 225,660 | - |
| Benefits | 32,250 | - |
| Purchased Services | 7,249 | - |
| Supplies | 314,062 | - |
| Depreciation | 8,340 | - |
| Loss on Disposal of Capital Assets | 340 | - |
| Other Enterprise Operations: | | |
| Benefits | - | 6,473 |
| Purchased Services | - | 4,200 |
| Total Operating Expenses | 587,901 | 10,673 |
| Operating (Loss) | (154,970) | (10,283) |
| Non-Operating Revenues : | | |
| Interest Income | 1,889 | - |
| State Lunch Reimbursements | 6,820 | - |
| National School Lunch Program | 151,315 | - |
| Federal Food Commodities Received | 38,322 | - |
| Total Non-Operating Revenues | 198,346 | - |
| Income (Loss) before Contributions and Transfers | 43,376 | (10,283) |
| Change in net assets | 43,376 | (10,283) |
| Net Assets - beginning | 129,835 | 10,283 |
| Net Assets - ending | \$ 173,211 | \$ - |

See Accompanying Notes to Financial Statements

MOC-FLOYD VALLEY COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2009

| | Business Type Activity School Nutrition Fund | Governmental Activities Internal Service |
|--|---|---|
| Cash flows from operating activities: | | |
| Cash received from sale of lunches and breakfasts | \$ 425,822 | \$ - |
| Cash received from miscellaneous operating activities | 3,954 | 390 |
| Cash paid to employees for services | (258,154) | - |
| Cash paid to suppliers for goods or services | (276,648) | (10,923) |
| Total cash (used) by operating activities | <u>(105,026)</u> | <u>(10,533)</u> |
| Cash flows from noncapital financing activities: | | |
| Due From (To) Other Funds | - | (390) |
| State grants received | 6,820 | - |
| Federal grants received | 151,315 | - |
| Total cash provided (used) by noncapital financing activities | <u>158,135</u> | <u>(390)</u> |
| Cash flows from capital and related financing activities: | | |
| Acquisition of capital assets | <u>(32,804)</u> | - |
| Cash flows from investing activities: | | |
| Interest on investments | <u>1,889</u> | - |
| Net increase (decrease) in cash and cash equivalents | 22,194 | (10,923) |
| Cash and cash equivalents - beginning of year | <u>80,551</u> | <u>11,179</u> |
| Cash and cash equivalents - end of year | <u><u>102,745</u></u> | <u><u>256</u></u> |
| Reconciliation of operating income (loss) to net cash used in operating activities: | | |
| Operating (loss) | (154,970) | (10,283) |
| Adjustments to reconcile net operating loss to net cash provided by operating activities: | | |
| Depreciation expense | 8,340 | - |
| Commodities used | 38,322 | - |
| Loss on disposal of capital assets | 340 | - |
| (Increase) decrease in assets and increase (decrease) in liabilities: | | |
| Accounts Receivable | (3,069) | - |
| Due from Other Governments | 140 | - |
| Inventories | (4,447) | - |
| Accounts Payable | 10,788 | (250) |
| Salaries and Benefits Payable | 956 | - |
| Compensated Absences Payable | (1,200) | - |
| Unearned Revenue | (226) | - |
| Net cash (used) in operating activities | <u><u>\$ (105,026)</u></u> | <u><u>\$ (10,533)</u></u> |
| Non-cash investing, capital and financing activities: | | |
| Federal food commodities received | <u><u>\$ 38,322</u></u> | <u><u>\$ -</u></u> |

See Accompanying Notes to Financial Statements

MOC - FLOYD VALLEY COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
AGENCY FUNDS
JUNE 30, 2009

| | <u>2009</u> |
|-------------------------------------|--------------------|
| Cash and Temporary Cash Investments | <u>\$ 16,381</u> |
| Total Assets | <u>16,381</u> |
| Liabilities: | |
| Other Payables | <u>16,381</u> |
| Net Assets | <u><u>\$ -</u></u> |

MOC-FLOYD VALLEY COMMUNITY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2009

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The MOC-Floyd Valley Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the cities of Maurice, Orange City, Alton, Hospers, Newkirk and Granville, Iowa, and the predominate agricultural territory in Sioux and O'Brien Counties in Iowa. The district is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Government Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, MOC-Floyd Valley Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. MOC-Floyd Valley Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Sioux County Assessor's Conference Board.

B. Basic Financial Statements- Government-Wide Statements

The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. The District's basic financial statements include both government-wide (reporting the District as a whole) and fund financial statements (reporting the District's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. The District's general, special revenue, debt service and capital project funds are classified as governmental activities. The District's school nutrition fund is classified as a business-type activity. The District's internal service fund is classified as a governmental-type activity.

In the government-wide Statement of Net Assets, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column, and (b) are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The District's net assets are reported in three parts – invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. The District first uses restricted resources to finance qualifying activities.

MOC-FLOYD VALLEY COMMUNITY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2009

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The government-wide Statement of Activities reports both the gross and net cost of each of the District's functions and business-type activities. The functions are also supported by general government expenses (including depreciation) by related program revenues, operating grants, and capital grants. Program revenues must be directly associated with the function or a business-type activity. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

The District does not allocate indirect costs. Certain expenses of the District are accounted for through an internal service fund on a cost-reimbursement basis.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

This government-wide focus is more on the sustainability of the District as an entity and the change in the District's net assets resulting from the current year's activities.

C. Fund Financial Statements

The District uses funds to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fund is a separate accounting entity with a self-balancing set of accounts. Funds are classified into three types: governmental, proprietary and fiduciary. The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. Nonmajor funds by category are summarized into a single column in the fund financial statements. GASB No. 34 sets forth minimum criteria for the determination of major funds. The various funds reported in the financial statements are grouped into fund types as follows:

GOVERNMENTAL FUND TYPES

Governmental funds are those through which most governmental functions of the District are financed. The acquisition, use and balances of the District's expendable financial resources and the related liabilities, except those accounted for in proprietary funds, are accounted for through governmental funds. The measurement focus is on determination of financial position and changes in financial position, rather than upon net income determination. The following is a description of the governmental funds of the District.

General Fund – The General Fund is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund. The General Fund accounts for the instructional and most of the support service programs of the District's operations. Revenue of the General Fund consists primarily of local property taxes and state government aid.

Special Revenue Fund – Special Revenue Funds account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted for specified purposes. Each of the District's Special Revenue Funds has been established to reflect restricted revenue sources provided to school districts by the Iowa State Statutes.

Debt Service Fund – The Debt Service Fund accounts for the accumulation of resources for and the payment of general long-term debt principal and interest.

MOC-FLOYD VALLEY COMMUNITY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2009

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Projects Fund – Capital Project Funds account for all resources used in the acquisition and construction of capital facilities.

PROPRIETARY FUND TYPES

The focus of proprietary fund measurement is upon determination of operating income, changes in net assets, financial position, and cash flows. Operating revenues and expenses are distinguished from non-operating revenues and expenses. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. The principal operating revenues of enterprise funds are charges to customers for services. Operating expenses consist of cost of sales and services, administrative expenses and depreciation on capital assets. The U.S. generally accepted accounting principles used are those applicable to similar businesses in the private sector.

The proprietary fund of the District applies all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements; Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Enterprise Funds – Enterprise Funds are used to account for operations: (a) which are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenue earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Internal Service Funds – Internal Service Funds account for operations that provide services to other departments or agencies of the government, or to other governments on a cost-reimbursement basis.

The District's internal service fund is presented in the proprietary fund financial statements. Because the principal users of the internal services are the District's governmental activities, the financial statements of the internal service fund are consolidated into the governmental activities column when presented in the government-wide financial statements. To the extent possible, the cost of these services is reported in the appropriate functional activity.

A description of the District's internal service fund is as follows:

Split-Funding Health Insurance – To account for the funding and maintenance of the District's partial self-funded health insurance provided to District employees.

FIDUCIARY FUND TYPE

Fiduciary Funds are used to report assets held in an agency or custodial capacity for others and therefore are not available to support District functions. Since agency funds are custodial in nature, they do not involve the measurement of results of operations and are not incorporated into the government-wide financial statements. The following are the District's fiduciary funds:

MOC-FLOYD VALLEY COMMUNITY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2009

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Flex Agency Fund – The Flex account is the District's cafeteria plan. Employees of the District deposit monies into this fund, which are held by the District until they are disbursed back to the depositor.

Band Parents Agency Fund – This fund is used to account for assets held by the District as an agent for this private organization.

The District reports the following major governmental fund:

General Fund – See the description on the previous page. The General Fund is always considered to be a major fund.

The District reports the following major enterprise fund:

School Nutrition – Accounts for the food service operations of the District.

D. Basis of Accounting/Measurement Focus

The government-wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year-end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financial sources.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

MOC-FLOYD VALLEY COMMUNITY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2009

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the balance sheet:

Cash, Pooled Investments and Cash Equivalents – The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust, which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable – Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2007 assessed property valuations; is for the tax accrual period July 1, 2008 through June 30, 2009 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2008.

Due from Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories – Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets – Capital assets, which include property, furniture and equipment, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of \$2,000 for governmental capital assets and \$500 for school nutrition capital assets.

MOC-FLOYD VALLEY COMMUNITY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2009

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets are depreciated using the straight-line method over the following estimated useful lives:

| <u>Asset Class</u> | <u>Estimated Useful Lives (In Years)</u> |
|-----------------------------------|--|
| Buildings | 50 years |
| Improvements other than buildings | 20-50 years |
| Furniture and equipment | 5-15 years |

Salaries and Benefits Payable – Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivable and other receivables not collected within sixty days after year end, excluding grant receivables.

Deferred revenue in the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Compensated Absences – District employees can accumulate a limited amount of earned but unused sick pay for subsequent use or for partial payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements and the proprietary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2008. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

Long-Term Liabilities – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Equity – In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets – In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or are imposed by law through constitutional provisions or enabling legislation.

MOC-FLOYD VALLEY COMMUNITY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2009

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2009, expenditures did not exceed the amounts budgeted.

NOTE 2 – CASH AND POOLED INVESTMENTS

The District's deposits in banks at June 30, 2009 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies, certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The District had no investments as of June 30, 2009 meeting the definition of GASB Statement 40.

NOTE 3 – INTERFUND TRANSFERS

The detail of short-term interfund transfers for the year ended June 30, 2009 is as follows:

| Transfer To | Transfer From | Amount |
|---|--|-------------------|
| Debt Service | Capital Project – LOST | \$ 949,374 |
| Debt Service | Special Revenue - Physical Plant and Equipment | 21,850 |
| Special Revenue - Physical Plant and Equipment | Special Revenue – Student Activity | 9,296 |
| General | Special Revenue – Student Activity | 3,461 |
| | | <u>\$ 983,981</u> |

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

NOTE 4 – INTERFUND RECEIVABLES AND PAYABLES

As of June 30, 2009, short-term interfund borrowings were as follows:

| Fund Due To | Fund Due From | Amount |
|---|----------------------|---------------|
| Internal Service – Split Funding Health Insurance | General | \$ 390 |

This internal balance was recorded to cover the deficit balance in the internal service fund as of June 30, 2009.

MOC-FLOYD VALLEY COMMUNITY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2009

NOTE 5 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2009 was as follows:

| | Balance July 1, 2008 | Additions | Deletions | Balance June 30, 2009 |
|--|----------------------------|-------------|-----------|-----------------------------|
| Governmental Activities: | | | | |
| Capital assets not being depreciated: | | | | |
| Land | \$ 247,000 | \$ - | \$ - | \$ 247,000 |
| Total capital assets not being depreciated | 247,000 | - | - | 247,000 |
| Capital assets being depreciated: | | | | |
| Buildings | 16,324,284 | 172,985 | - | 16,497,269 |
| Improvements other than buildings | 745,822 | 90,624 | - | 836,446 |
| Furniture and equipment | 2,652,145 | 206,636 | 270,593 | 2,588,188 |
| Total capital assets being depreciated | 19,722,251 | 470,245 | 270,593 | 19,921,903 |
| Less: Accumulated Depreciation for: | | | | |
| Buildings | 6,390,858 | 361,917 | - | 6,752,775 |
| Improvements other than buildings | 495,771 | 44,064 | - | 539,835 |
| Furniture and equipment | 1,744,760 | 161,788 | 263,772 | 1,642,976 |
| Total Accumulated Depreciation | 8,631,589 | 567,769 | 263,772 | 8,935,586 |
| Total capital assets being depreciated, net | 11,090,662 | (97,524) | 6,821 | 10,986,317 |
| Governmental activities capital assets, net | \$ 11,337,662 | \$ (97,524) | \$ 6,821 | \$ 11,233,317 |
| | Balance July 1, 2008 | Additions | Deletions | Balance June 30, 2009 |
| Business-type Activities: | | | | |
| Furniture and equipment | \$ 93,817 | \$ 32,804 | \$ 4,075 | \$ 122,546 |
| Less: Accumulated Depreciation | 41,128 | 8,340 | 3,735 | 45,733 |
| Business-type activities capital assets, net | \$ 52,689 | \$ 24,464 | \$ 340 | \$ 76,813 |

Depreciation expense was charged to the functions as follows:

| | |
|---|------------|
| Governmental Activities: | |
| Regular Instruction | \$ 373,135 |
| Special Instruction | 1,616 |
| Other Instruction | 51,151 |
| Instructional Staff Services | 13,824 |
| Administration Services | 9,754 |
| Operation and Maintenance | 63,444 |
| Transportation Services | 54,845 |
| Total depreciation expenses – governmental activities | \$ 567,769 |
| Business-type activities: | |
| Food Service Operations | \$ 8,340 |

MOC-FLOYD VALLEY COMMUNITY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2009

NOTE 5 – CAPITAL ASSETS (CONTINUED)

Reconciliation of Invested in Capital Assets:

| | Governmental Activities | Business- Type Activities |
|--|------------------------------------|--|
| Land | \$ 247,000 | \$ - |
| Capital Assets (net of accumulated depreciation) | 10,986,317 | 76,813 |
| Less: Bonds Payable | 3,712,222 | - |
| Notes Payable | 37,500 | - |
| Invested in Capital Assets, Net of Related Debt | <u>\$ 7,483,595</u> | <u>\$ 76,813</u> |

NOTE 6 – LONG-TERM LIABILITIES

Changes in long-term liabilities for the year ended June 30, 2009 are summarized as follows:

| | Beginning Balance | Additions | Reductions | Ending Balance | Due Within One Year |
|--|------------------------------|------------------|-------------------|---------------------------|--------------------------------|
| Governmental Activities: | | | | | |
| General Obligations Bonds | \$ 589,651 | \$ - | \$ 189,771 | \$ 399,880 | \$ 196,471 |
| LOST Revenue Bonds | 3,869,586 | - | 557,244 | 3,312,342 | 586,159 |
| Lease Obligations | 9,350 | - | 9,350 | - | - |
| Note Payable | - | 50,000 | 12,500 | 37,500 | 12,500 |
| Early Retirement | 35,944 | 43,690 | 35,944 | 43,690 | 43,690 |
| Compensated Absences | 25,420 | 3,250 | 3,050 | 25,620 | - |
| Governmental Activities Long-Term Liabilities | <u>\$ 4,529,951</u> | <u>\$ 96,940</u> | <u>\$ 807,859</u> | <u>\$ 3,819,032</u> | <u>\$ 838,820</u> |

General Obligation Bonds

The District issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities and projects. General obligation bonds have been issued for governmental activities. These bonds are direct obligations and pledge the full faith and credit of the District.

General obligation bonds as of June 30, 2009 are as follows:

| <u>Purpose</u> | <u>Interest Rates</u> | <u>Amounts</u> |
|---|----------------------------------|-----------------------|
| Governmental Activities – 2006 Capital Loan Notes | 3.50% | <u>\$ 399,880</u> |

Annual debt service requirements to maturity for general obligation bonds are as follows:

| <u>Year Ending June 30</u> | <u>Governmental Activities Principal</u> | <u>Interest</u> |
|---|---|------------------------|
| 2010 | \$ 196,471 | \$ 12,292 |
| 2011 | 203,409 | 5,355 |
| Total | <u>\$ 399,880</u> | <u>\$ 17,647</u> |

MOC-FLOYD VALLEY COMMUNITY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2009

NOTE 6 – LONG-TERM LIABILITIES (CONTINUED)

Revenue Bonds

The District has pledged future local option sales and services tax revenues to repay the LOST revenue bonds issued in fiscal years 2005 and 2006. The local option sales and services tax revenue bonds were issued for the purpose of defraying a portion of the cost of school infrastructure. The bonds are payable solely from the proceeds of the local option sales and services tax revenues received by the District and are payable through 2015. The bonds are not a general obligation of the District. Annual principal and interest payments on the bonds are expected to require nearly 100 percent of the local option sales and services tax revenues. The total principal and interest remaining to be paid on the note is \$3,764,772. For the current year, \$740,611 of principal and interest was paid on the bonds and total local option sales and services tax revenues were \$996,628.

The resolution providing for the issuance of the local option sales and services tax revenue bonds includes the following provisions:

1. The proceeds from the issuance of the revenue bonds shall be deposited to the Project Account.
2. All proceeds from the local option sales and services tax shall be placed in a Revenue Account.
3. Monies in the Revenue Account shall be disbursed to make deposits into a Sinking Account to pay the principal and interest requirements each month of the fiscal year. The Sinking Account is shown as a restricted asset in the Capital Project LOST fund.
4. Any monies remaining in the Revenue Account after the required transfer to the Sinking Account may be transferred to the Project Account to be used for any lawful purpose.

The District was in compliance with all of the provisions during the year ended June 30, 2009.

Revenue bonds as of June 30, 2009 are as follows:

| <u>Purpose</u> | <u>Interest Rates</u> | <u>Amounts</u> |
|--|------------------------------|-----------------------|
| Governmental Activities – LOST Revenue Bonds | 5.0% | <u>\$ 3,312,342</u> |

Annual debt service requirements to maturity for revenue bonds are as follows:

| Year Ending June 30 | <u>Governmental Activities</u> | |
|--------------------------------|---------------------------------------|-------------------|
| | Principal | Interest |
| 2010 | \$ 586,159 | \$ 154,452 |
| 2011 | 616,574 | 124,037 |
| 2012 | 648,331 | 92,280 |
| 2013 | 682,209 | 58,402 |
| 2014 | 717,608 | 23,003 |
| 2015 | 61,461 | 256 |
| Total | <u>\$3,312,342</u> | <u>\$ 452,430</u> |

MOC-FLOYD VALLEY COMMUNITY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2009

NOTE 6 – LONG-TERM LIABILITIES (CONTINUED)

Capital Leases

The District has entered into lease agreements as lessee for financing the acquisition of various copy machines and band instruments. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their minimum lease payments as of the inception date. The lease was paid in full during the year ended June 30, 2009.

The assets acquired through capital leases are as follows:

| | <u>Governmental Activities</u> |
|--------------------------------|------------------------------------|
| Asset: | |
| Furniture and Equipment | \$ 79,432 |
| Less: Accumulated Depreciation | <u>53,330</u> |
| Total | <u>\$ 26,102</u> |

Note Payable

The District entered into a note payable in connection with the purchase of land during the year ended June 30, 2009. The note was issued at 0% interest and payable in four annual installments. Annual debt service requirements to maturity for the note payable is as follows:

| <u>Year Ending June 30</u> | <u>Governmental Activities Principal</u> |
|--------------------------------|--|
| 2010 | \$12,500 |
| 2011 | 12,500 |
| 2012 | <u>12,500</u> |
| Total | <u>\$37,500</u> |

Early Retirement

The District offers a voluntary early retirement plan to its certified employees. Teachers and administrators who have 10 years of continuous service with the former districts and/or the new District are eligible for Board approved early retirement compensation. Employees making application for early retirement receive as compensation an amount equal to the difference between the applicant's current salary schedule amount and that year's base pay if the application for early retirement is submitted during a period beginning with the fiscal year before the teacher attains age 55 through the fiscal year in which the teacher attains the age 65. After age 65, no early retirement compensation is available. Part-time teachers receive a percentage of the benefit. Early retirement benefits paid during the year ended June 30, 2009, totaled \$35,944. The cost of early retirement payments liquidated within 60 days is recorded as a liability of the Special Revenue, Management Levy Fund, in the fund financial statements. The non-current portion of the early retirement is recorded in the government-wide financial statements.

NOTE 7 – PENSION AND RETIREMENT BENEFITS

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits that are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required

MOC-FLOYD VALLEY COMMUNITY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2009

NOTE 7 – PENSION AND RETIREMENT BENEFITS (CONTINUED)

supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Plan members are required to contribute 4.10% of their annual covered salary and the District is required to contribute 6.35% of annual covered salary. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2009, 2008, and 2007 were \$493,986, \$430,231 and \$387,123 respectively, equal to the required contributions for each year.

NOTE 8 – RISK MANAGEMENT

MOC-Floyd Valley Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 9 – AREA EDUCATION AGENCY

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$522,985 for the year ended June 30, 2009 and is recorded in the General Fund.

NOTE 10 – SPLIT FUNDING HEALTH INSURANCE PLAN

The District's Split Funding Health Insurance Fund was established to account for the partial self-funding of the District's prescription drug benefit plan. The plan is funded by District contributions and is administered through a service agreement with Three Rivers Benefit Corporation. The agreement is subject to automatic renewal provisions. The District assumes liability for co-pay amounts of \$5 to \$20 depending on the coverage selected by the employee.

Monthly payments of service fees and plan contributions to the District's Split Funding Health Insurance Fund are recorded as expenditures from the operating funds. Under the administrative services agreement, monthly payments of service fees and claims are paid from the Split Funding Health Insurance Fund. The District records the plan assets and related liabilities of the Split Funding Health Insurance Fund as an Internal Service Fund.

Claims payable and estimated claims incurred but not reported are recorded as liabilities of the Internal Services Fund.

| | | |
|---------------------------------|----|------------|
| Claims Payable at June 30, 2008 | \$ | 896 |
| Claims Paid | | (6,723) |
| Claims Incurred | | 6,473 |
| Claims Payable at June 30, 2009 | \$ | <u>646</u> |

NOTE 11- PRIOR PERIOD ADJUSTMENT

During the year ended June 30, 2009, it was discovered that the receivable for the 2007–2008 income surtax was omitted from the financial statements for the year ended June 30, 2008. At the fund level this receivable is also deferred, therefore there is no effect on the fund level statements as of June 30, 2008. The effect of this correction is as follows:

MOC-FLOYD VALLEY COMMUNITY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2009

NOTE 11- PRIOR PERIOD ADJUSTMENT (CONTINUED)

| | |
|--|---------------------------------------|
| | Government-Wide |
| | <u>Governmental Activities</u> |
| Beginning Fund Balance, as previously reported | \$ 8,411,721 |
| Prior Period Adjustment for Income Surtax Receivable | <u>495,710</u> |
| Beginning Fund Balance, as restated | <u>\$ 8,907,431</u> |

REQUIRED SUPPLEMENTARY INFORMATION

MOC - FLOYD VALLEY COMMUNITY SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN BALANCES,
BUDGET AND ACTUAL, ALL GOVERNMENTAL FUNDS AND PROPRIETARY FUND

REQUIRED SUPPLEMENTARY INFORMATION

FOR THE YEAR ENDED JUNE 30, 2009

| | Budgeted Amounts | | Governmental Funds | Proprietary Fund | Total | Final to Actual |
|---|-------------------------|----------------|---------------------------|-------------------------|---------------|------------------------|
| | Original | Amended | Actual | Actual | Actual | Variance |
| REVENUE: | | | | | | |
| Local Sources: | | | | | | |
| Local Tax | \$ 4,916,478 | \$ 4,916,478 | \$ 5,920,879 | \$ - | \$ 5,920,879 | \$ 1,004,401 |
| Tuition | 360,000 | 360,000 | 206,596 | - | 206,596 | (153,404) |
| Other | 2,039,150 | 2,039,150 | 516,071 | 434,820 | 950,891 | (1,088,259) |
| State Sources | 6,907,223 | 6,907,223 | 6,855,748 | 6,820 | 6,862,568 | (44,655) |
| Federal Sources | 667,218 | 667,218 | 638,707 | 189,637 | 828,344 | 161,126 |
| Total Revenue | 14,890,069 | 14,890,069 | 14,138,001 | 631,277 | 14,769,278 | (120,791) |
| EXPENDITURES: | | | | | | |
| Current: | | | | | | |
| Instruction | 9,507,868 | 9,507,868 | 8,956,735 | - | 8,956,735 | 551,133 |
| Support Services | 3,989,476 | 3,989,476 | 3,401,226 | - | 3,401,226 | 588,250 |
| Non-instructional Programs | 715,747 | 715,747 | 15,187 | 587,901 | 603,088 | 112,659 |
| Other Expenditures | 2,316,822 | 2,316,822 | 1,849,661 | - | 1,849,661 | 467,161 |
| Total Expenditures | 16,529,913 | 16,529,913 | 14,222,809 | 587,901 | 14,810,710 | 1,719,203 |
| Excess (Deficiency) of Revenues Over Expenditures | (1,639,844) | (1,639,844) | (84,808) | 43,376 | (41,432) | 1,598,412 |
| Other Financing Sources (Uses): | | | | | | |
| Transfers In | 949,374 | 949,374 | 983,981 | - | 983,981 | 34,607 |
| Transfers Out | (949,374) | (949,374) | (983,981) | - | (983,981) | (34,607) |
| Issuance of Long-Term Debt | - | - | 50,000 | - | 50,000 | 50,000 |
| Total Other Financing Sources (Uses) | - | - | 50,000 | - | 50,000 | 50,000 |
| Net Change in Fund Balances | (1,639,844) | (1,639,844) | (34,808) | 43,376 | 8,568 | 1,648,412 |
| Fund Balances - Beginning of Year | 1,707,194 | 1,707,194 | 1,577,359 | 129,835 | 1,707,194 | - |
| Fund Balances - End of Year | \$ 67,350 | \$ 67,350 | \$ 1,542,551 | \$ 173,211 | \$ 1,715,762 | \$ 1,648,412 |

MOC-FLOYD VALLEY COMMUNITY SCHOOL DISTRICT
Notes to Required Supplementary Information – Budgetary Reporting
June 30, 2009

The budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except the internal service fund and the agency funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functional areas, not by fund or fund type. These four functional areas are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional area level, not at the fund or fund type level. This level of control is at a level higher than the individual fund. It is necessary, therefore, to aggregate the expenditures of governmental fund types with expenses of proprietary fund types on a functional area basis and to compare such functional area totals to functional area budgeted totals in order to demonstrate legal compliance with budget. The Code of Iowa also provides that District disbursements in the General Fund may not exceed the amount authorized by the school finance formula. During the year ended June 30, 2009, the District had no budget amendments.

OTHER SUPPLEMENTARY INFORMATION

MOC - FLOYD VALLEY COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2009

Schedule 1

REVENUES:

Local Sources:

Local Tax:

| | |
|------------------------------------|------------------|
| Property Tax | \$ 3,609,107 |
| Mobile Home Tax | 2,410 |
| Utility Tax Replacement Excise Tax | 61,940 |
| Surtax | 578,688 |
| | <u>4,252,145</u> |

Other Local Sources:

| | |
|------------------------------|------------------|
| Interest on Investments | 49,471 |
| Tuition from Individuals | 39,500 |
| Tuition from Other Districts | 167,096 |
| Rent | 7,168 |
| Miscellaneous | 54,078 |
| | <u>317,313</u> |
| | <u>4,569,458</u> |

State Sources:

| | |
|--|------------------|
| State Foundation Aid | 4,864,769 |
| State Foundation Aid - Statewide Voluntary Preschool | 226,277 |
| Instructional Support State Aid | 38,021 |
| Educational Excellence Program: | |
| Phase I | 70,727 |
| Phase II | 106,480 |
| Non-Public Transportation Aid | 121,515 |
| Non-Public Textbook and Technology Aid | 15,500 |
| Teacher Compensation | 795,887 |
| Vocational Education Aid | 12,543 |
| Revenue in lieu of taxes - military credit | 2,805 |
| AEA Flow-Through | 522,985 |
| Iowa Early Intervention Block Grant | 74,582 |
| Other State Aid | 3,170 |
| | <u>6,855,261</u> |

Federal Sources:

| | |
|--|----------------|
| Title I Grants to Local Educational Agencies | 113,732 |
| Safe and Drug-Free Schools and Communities-States Grants | 5,967 |
| Vocational Education - Basic Grants to States | 12,408 |
| Carol White PE Grant | 118,372 |
| Special Education - Grants to States | 90,475 |
| Improving Teacher Quality State Grants | 51,779 |
| Grants for Assessments and Related Activities | 8,522 |
| Medicaid | 125,468 |
| ARRA State Education Fiscal Funding | 107,922 |
| Other | 4,062 |
| | <u>638,707</u> |

Total Revenue

\$ 12,063,426

Continued

MOC - FLOYD VALLEY COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GENERAL FUND - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2009

Schedule 1

EXPENDITURES:

Instruction:

Regular Instruction:

| | |
|----------|------------------|
| Salaries | \$ 4,364,396 |
| Benefits | 1,034,308 |
| Services | 550,837 |
| Supplies | 137,147 |
| Property | 78,529 |
| | <u>6,165,217</u> |

Special Education Instruction:

| | |
|----------|------------------|
| Salaries | 972,354 |
| Benefits | 209,237 |
| Services | 371,818 |
| Supplies | 10,132 |
| Property | 57,016 |
| | <u>1,620,557</u> |

Vocational Instruction:

| | |
|----------|----------------|
| Salaries | 334,241 |
| Benefits | 79,900 |
| Services | 2,301 |
| Supplies | 20,042 |
| Property | 11,161 |
| | <u>447,645</u> |

Co-curricular Instruction:

| | |
|----------|----------------|
| Salaries | 245,177 |
| Benefits | 42,143 |
| Services | 7,298 |
| | <u>294,618</u> |

Nonpublic Instruction:

| | |
|----------|---------------|
| Supplies | 15,500 |
| | <u>15,500</u> |

Total Instruction

\$ 8,543,537

Continued

MOC - FLOYD VALLEY COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GENERAL FUND - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2009

Schedule 1

Support Services:

Student Services:

Attendance and Social Work Services:

| | |
|----------|---------------|
| Salaries | \$ 15,319 |
| Benefits | 2,109 |
| Services | 2,136 |
| Supplies | 364 |
| | <u>19,928</u> |

Guidance Services:

| | |
|----------|----------------|
| Salaries | 233,209 |
| Benefits | 46,578 |
| Services | 4,588 |
| Supplies | 1,178 |
| | <u>285,553</u> |

Health Services:

| | |
|----------|---------------|
| Salaries | 57,424 |
| Benefits | 14,192 |
| Services | 2,467 |
| Supplies | 1,835 |
| | <u>75,918</u> |

Total Student Services

381,399

Support Services:

Instructional Staff Services:

Improvement of Instruction Services:

| | |
|----------|---------------|
| Salaries | 300 |
| Benefits | 42 |
| Services | 5,031 |
| Supplies | 6,679 |
| Other | 1,117 |
| | <u>13,169</u> |

Educational Media Services:

| | |
|----------|-------------------|
| Salaries | 170,066 |
| Benefits | 32,809 |
| Services | 1,800 |
| Supplies | 24,902 |
| Property | 2,674 |
| | <u>\$ 232,251</u> |

Continued

MOC - FLOYD VALLEY COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GENERAL FUND - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2009

Schedule 1

Support Services (Continued):

Instructional Staff Services (Continued):

Other Instructional Staff Support Services:

| | |
|----------|----------------|
| Salaries | \$ 67,276 |
| Benefits | 14,003 |
| Services | 9,441 |
| Supplies | 17,955 |
| Property | 74,805 |
| | <u>183,480</u> |

Total Instructional Staff Services

428,900

Support Services:

Administration Services:

Executive Administration:

| | |
|----------|----------------|
| Salaries | 159,111 |
| Benefits | 42,078 |
| Services | 7,380 |
| Supplies | 3,177 |
| Other | 2,000 |
| | <u>213,746</u> |

School Administration:

| | |
|----------|----------------|
| Salaries | 490,433 |
| Benefits | 149,758 |
| Services | 9,870 |
| Supplies | 3,348 |
| | <u>653,409</u> |

Business Administration:

| | |
|----------|---------------|
| Salaries | 53,075 |
| Benefits | 13,334 |
| Services | 3,831 |
| Supplies | 70 |
| Other | 122 |
| | <u>70,432</u> |

Board of Education:

| | |
|----------|---------------|
| Services | 37,790 |
| Supplies | 13,197 |
| Property | |
| Other | 5,242 |
| | <u>56,229</u> |

Total Administration Services:

\$ 993,816

Continued

MOC - FLOYD VALLEY COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GENERAL FUND - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2009

Schedule 1

Support Services (Continued):

Plant Operation and Maintenance:

| | |
|----------|----------------|
| Salaries | \$ 319,726 |
| Benefits | 71,243 |
| Services | 126,044 |
| Supplies | 342,871 |
| Property | 3,811 |
| | <u>863,695</u> |

Support Services:

Student Transportation:

| | |
|----------|----------------|
| Salaries | 193,871 |
| Benefits | 32,753 |
| Services | 145,894 |
| Supplies | 69,178 |
| Other | 250 |
| | <u>441,946</u> |

Total Support Services

3,109,756

Non-instructional Programs:

Community Services:

| | |
|----------|--------------|
| Salaries | 475 |
| Benefits | 60 |
| Services | 2,076 |
| Supplies | 3,356 |
| | <u>5,967</u> |

Other Expenditures:

| | |
|------------------|----------------|
| AEA Flow-Through | <u>522,985</u> |
|------------------|----------------|

| | |
|--------------------|-------------------|
| Total Expenditures | <u>12,182,245</u> |
|--------------------|-------------------|

| | |
|--------------------------------------|------------------|
| Excess of Revenues Over Expenditures | <u>(118,819)</u> |
|--------------------------------------|------------------|

Other Financing Sources (Uses):

| | |
|----------------------------|--------------|
| Transfers From Other Funds | <u>3,461</u> |
|----------------------------|--------------|

| | |
|----------------------------|-----------|
| Net Change in Fund Balance | (115,358) |
|----------------------------|-----------|

| | |
|----------------------------------|------------------|
| Fund Balance - Beginning of Year | <u>1,069,876</u> |
|----------------------------------|------------------|

| | |
|----------------------------|--------------------------|
| Fund Balance - End of Year | <u><u>\$ 954,518</u></u> |
|----------------------------|--------------------------|

MOC - FLOYD VALLEY COMMUNITY SCHOOL DISTRICT
COMBINING BALANCE SHEET
GOVERNMENTAL NONMAJOR FUNDS
JUNE 30, 2009

| | Special Revenue Funds | | |
|--------------------------------------|-----------------------|--------------------------------|---------------------|
| | Management Levy | Plant and Equipment Levy | Student Activity |
| ASSETS | | | |
| Cash and Pooled Investments | \$ 136,682 | \$ 172,343 | \$ 140,689 |
| Receivables: | | | |
| Property Tax | 2,964 | 3,302 | - |
| Succeeding Year Property Tax | 250,000 | 391,116 | - |
| Accounts | - | - | 9,914 |
| Due from Other Governments | - | - | - |
| Restricted Assets: | | | |
| Cash and Pooled Investments | - | - | - |
| Total Assets | 389,646 | 566,761 | 150,603 |
| LIABILITIES AND FUND BALANCES | | | |
| Liabilities: | | | |
| Accounts Payable | 221 | 44,430 | 24,330 |
| Early Retirement Payable | 23,397 | - | - |
| Deferred Revenue - Succeeding Year | | | |
| Property Taxes | 250,000 | 391,116 | - |
| Total Liabilities | 273,618 | 435,546 | 24,330 |
| Fund Balances: | | | |
| Reserved for: | | | |
| Debt Service | - | - | - |
| Unreserved for: | | | |
| Special Revenue Fund | 116,028 | 131,215 | 126,273 |
| Capital Project Fund | - | - | - |
| Total Fund Balances | 116,028 | 131,215 | 126,273 |
| Total Liabilities and Equity | \$ 389,646 | \$ 566,761 | \$ 150,603 |

Schedule 2

| Debt Service | Capital Project LOST | Total |
|-------------------------|-------------------------------------|--------------|
| \$ - | \$ 2,315 | \$ 452,029 |
| - | - | 6,266 |
| - | - | 641,116 |
| - | - | 9,914 |
| - | 150,484 | 150,484 |
| - | 61,718 | 61,718 |
| - | 214,517 | 1,321,527 |
| - | - | 68,981 |
| - | - | 23,397 |
| - | - | 641,116 |
| - | - | 733,494 |
| - | 61,718 | 61,718 |
| - | - | 373,516 |
| - | 152,799 | 152,799 |
| - | 214,517 | 588,033 |
| \$ - | \$ 214,517 | \$ 1,321,527 |

**MOC - FLOYD VALLEY COMMUNITY SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
GOVERNMENTAL NONMAJOR FUNDS
FOR THE YEAR ENDED JUNE 30, 2009**

| | Special Revenue Funds | | |
|---|-----------------------|--|---------------------|
| | Management Levy | Physical Plant and Equipment Levy | Student Activity |
| REVENUE: | | | |
| Local Sources: | | | |
| Local Tax | \$ 299,750 | \$ 372,356 | \$ - |
| Other | 17,076 | 25,220 | 355,755 |
| State Sources | 229 | 258 | - |
| Total Revenue | 317,055 | 397,834 | 355,755 |
| EXPENDITURES: | | | |
| Current: | | | |
| Instruction: | | | |
| Regular Instruction | 72,945 | 10,682 | - |
| Other Instruction | - | - | 329,571 |
| Support Services: | | | |
| Student Services | 1,613 | 4,805 | - |
| Instructional Staff Services | 1,458 | 40,771 | - |
| Administration Services | 29,421 | - | - |
| Operation and Maintenance | 53,914 | 53,596 | 676 |
| Transportation Services | 19,857 | 85,359 | - |
| Non-instructional Programs | 9,220 | - | - |
| Other Expenditures: | | | |
| Facilities Acquisition and Construction | - | 276,903 | - |
| Long-term Debt: | | | |
| Principal | - | - | - |
| Interest and Fiscal Charges | - | - | - |
| Total Expenditures | 188,428 | 472,116 | 330,247 |
| Excess (Deficiency) of Revenues Over Expenditures | 128,627 | (74,282) | 25,508 |
| Other Financing Sources (Uses): | | | |
| Transfers In | - | 9,296 | - |
| Transfers Out | - | (21,850) | (12,757) |
| Issuance of Debt | - | - | - |
| Total Other Financing Sources (Uses) | - | (12,554) | (12,757) |
| | 128,627 | (86,836) | 12,751 |
| Fund Balances (Deficits) - Beginning of Year | (12,599) | 218,051 | 113,522 |
| Fund Balances - End of Year | \$ 116,028 | \$ 131,215 | \$ 126,273 |

Schedule 3

| Debt Service | | Capital Project LOST | Total |
|---------------------|-----------|-----------------------------|--------------|
| \$ | - | \$ 996,628 | \$ 1,668,734 |
| | - | 7,303 | 405,354 |
| | - | - | 487 |
| | - | 1,003,931 | 2,074,575 |
| | - | - | 83,627 |
| | - | - | 329,571 |
| | - | - | 6,418 |
| | - | - | 42,229 |
| | - | - | 29,421 |
| | - | - | 108,186 |
| | - | - | 105,216 |
| | - | - | 9,220 |
| | - | 78,549 | 355,452 |
| 768,865 | - | - | 768,865 |
| 202,359 | - | - | 202,359 |
| 971,224 | 78,549 | | 2,040,564 |
| (971,224) | 925,382 | | 34,011 |
| 971,224 | - | | 980,520 |
| - | (949,374) | | (983,981) |
| - | 50,000 | | 50,000 |
| 971,224 | (899,374) | | 46,539 |
| - | 26,008 | | 80,550 |
| - | 188,509 | | 507,483 |
| \$ | - | \$ 214,517 | \$ 588,033 |

MOC - FLOYD VALLEY COMMUNITY SCHOOL DISTRICT
SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
FOR THE YEAR ENDED JUNE 30, 2009

| | | | | | Schedule 4 |
|-------------------------------------|-----------------------------|-----------|--------------|------------------------|-----------------------------|
| | Balance June 30, 2008 | Revenues | Expenditures | Operating Transfers | Balance June 30, 2009 |
| Annual | \$ 8,401 | \$ 17,313 | \$ 16,133 | \$ - | \$ 9,581 |
| Plays/Musical | 5,699 | 5,419 | 5,853 | - | 5,265 |
| Iowa High School Speech | - | 467 | 4,907 | 5,560 | 1,120 |
| Iowa High School Music | - | 20 | 5,836 | 6,816 | 1,000 |
| Vocal Robe Rent | 9,895 | - | 14 | (4,564) | 5,317 |
| Band Instrument Rent | - | 5,870 | 3,096 | - | 2,774 |
| Band Uniform Rent | - | 8,145 | 2,884 | - | 5,261 |
| High School Band | 27 | 160 | 50 | - | 137 |
| Music Gate Receipts | 488 | 4,173 | 2,858 | - | 1,803 |
| Athletics | 450 | 118,228 | 105,461 | (2,150) | 11,067 |
| Joint Baseball/Softball | 5,554 | 4,500 | 11,371 | - | (1,317) |
| Joint Baseball/Softball Concessions | 7,789 | 11,334 | 7,900 | (7,146) | 4,077 |
| Boys Basketball | 112 | 720 | 1,014 | - | (182) |
| Dutch Football | 4,064 | 6,886 | 2,823 | - | 8,127 |
| Wrestling Concessions | 1,711 | 4,852 | 5,407 | - | 1,156 |
| Youth Wrestling | 345 | 510 | 312 | - | 543 |
| Dutch Volleyball | 4,606 | 7,111 | 9,535 | - | 2,182 |
| Industrial Tech./Skills USA | 4,127 | 8,880 | 12,562 | - | 445 |
| Dance Team | 1,603 | 1,700 | 1,529 | - | 1,774 |
| Peb Club/Cheerleaders | 991 | 3,137 | 1,831 | - | 2,297 |
| Student Council | 6,262 | 6,245 | 7,840 | - | 4,667 |
| FFA Club | 1,434 | 27,654 | 25,169 | (20) | 3,899 |
| Class of 2015 | - | 500 | - | - | 500 |
| Class of 2014 | 500 | 500 | - | - | 1,000 |
| Class of 2013 | 1,000 | 500 | - | - | 1,500 |
| Class of 2012 | 1,500 | - | - | - | 1,500 |
| Class of 2011 | 1,500 | - | 100 | - | 1,400 |
| Class of 2010 | 1,423 | 5,359 | 6,559 | - | 223 |
| Class of 2009 | 3,525 | - | 902 | (2,623) | - |
| Class of 2008 | 879 | - | - | (879) | - |
| Get a Grip | 252 | - | - | - | 252 |
| Middle/High School Shop | - | 426 | 158 | - | 268 |
| Awards | 2,373 | 1,556 | 382 | - | 3,547 |
| Miscellaneous | 5,925 | 13,348 | 7,456 | (4,310) | 7,507 |
| Concessions | 7,621 | 15,454 | 13,662 | - | 9,413 |
| Orange City Outdoor Education | 3,838 | 12,934 | 12,113 | (875) | 3,784 |
| Orange City Elementary Pictures | 4,110 | 3,776 | 1,953 | - | 5,933 |
| Orange City Elementary Book Club | 91 | 463 | 174 | - | 380 |
| Orange City Elementary Care Fund | 565 | - | 150 | - | 415 |
| National Honor Society | 1,663 | 772 | 764 | - | 1,671 |
| Middle School Student Council | \$ 510 | \$ 3,420 | \$ 2,940 | \$ - | \$ 990 |

(Continued)

MOC - FLOYD VALLEY COMMUNITY SCHOOL DISTRICT

FOR THE YEAR ENDED JUNE 30, 2009

| | | | | | Schedule 4 | |
|-----------------------------|-----------------|-----------------|---------------------|------------------|-------------------|--|
| | Balance | | | | Balance | |
| | June 30, | Revenues | Expenditures | Operating | June 30, | |
| | 2008 | | | Transfers | 2009 | |
| Middle School Magazines | \$ 6,377 | \$ 49,208 | \$ 46,425 | \$ (2,566) | \$ 6,594 | |
| Middle School Book Club | 146 | - | 65 | - | 81 | |
| Middle School Pictures | 1,515 | 953 | 631 | - | 1,837 | |
| Hospers Elementary Pictures | 1,166 | 917 | 534 | - | 1,549 | |
| Reading Counts | 3,485 | 2,345 | 894 | - | 4,936 | |
| | <hr/> | | | | | |
| Totals | \$ 113,522 | \$ 355,755 | \$ 330,247 | \$ (12,757) | \$ 126,273 | |
| | <hr/> | | | | | |

MOC - FLOYD VALLEY COMMUNITY SCHOOL DISTRICT
COMBINING STATEMENT OF CHANGES IN NET ASSETS AND LIABILITIES -
AGENCY FUNDS
FOR THE YEAR ENDED JUNE 30, 2009

| | | | | Schedule 5 |
|--------------------------------|-------------------------|------------|------------|--------------------------|
| | Balance July 1, 2008 | Additions | Deductions | Balance June 30, 2009 |
| <u>FLEX</u> | | | | |
| <u>Assets</u> | | | | |
| Cash and Pooled Investments | \$ 18,693 | \$ 97,963 | \$ 112,900 | \$ 3,756 |
| Total Assets | 18,693 | 97,963 | 112,900 | 3,756 |
| <u>Liabilities</u> | | | | |
| Other Payables | 18,693 | 97,963 | 112,900 | 3,756 |
| Total Liabilities | 18,693 | 97,963 | 112,900 | 3,756 |
| <u>Band Parents</u> | | | | |
| <u>Assets</u> | | | | |
| Cash and Pooled Investments | 135,155 | 277,867 | 400,397 | 12,625 |
| Total Assets | 135,155 | 277,867 | 400,397 | 12,625 |
| <u>Liabilities</u> | | | | |
| Other Payables | 135,155 | 277,867 | 400,397 | 12,625 |
| Total Liabilities | 135,155 | 277,867 | 400,397 | 12,625 |
| <u>Totals</u> | | | | |
| <u>Assets</u> | | | | |
| Cash and Pooled Investments | 153,848 | 375,830 | 513,297 | 16,381 |
| Total Assets | 153,848 | 375,830 | 513,297 | 16,381 |
| <u>Liabilities</u> | | | | |
| Other Payables | 153,848 | 375,830 | 513,297 | 16,381 |
| Total Liabilities | \$ 153,848 | \$ 375,830 | \$ 513,297 | \$ 16,381 |

MOC-FLOYD VALLEY COMMUNITY SCHOOL DISTRICT
SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION
ALL GOVERNMENTAL FUNDS
FOR THE YEARS ENDED JUNE 30, 2009, 2008, 2007, 2006, 2005, 2004

| | Modified Accrual Basis of Accounting | | | |
|------------------------------------|--------------------------------------|----------------------|----------------------|----------------------|
| | 2009 | 2008 | 2007 | 2006 |
| Revenues: | | | | |
| Local Sources: | | | | |
| Local Tax | \$ 5,920,879 | \$ 5,742,777 | \$ 5,717,087 | \$ 5,422,730 |
| Tuition | 206,596 | 227,197 | 245,447 | 238,086 |
| Other | 516,071 | 595,337 | 653,974 | 796,282 |
| State Sources | 6,855,748 | 6,350,048 | 5,662,514 | 5,230,501 |
| Federal Sources | 638,707 | 585,683 | 356,122 | 408,004 |
| Total | <u>14,138,001</u> | <u>13,501,042</u> | <u>12,635,144</u> | <u>12,095,603</u> |
| Expenditures: | | | | |
| Instruction: | | | | |
| Regular | 6,248,844 | 5,848,218 | 5,245,267 | 4,745,983 |
| Special | 1,620,557 | 1,403,884 | 1,274,833 | 1,050,820 |
| Other | 1,087,334 | 1,100,724 | 1,146,584 | 1,178,431 |
| Support Services: | | | | |
| Student | 387,817 | 365,581 | 367,276 | 327,830 |
| Instructional Staff | 471,129 | 437,981 | 474,641 | 491,826 |
| Administration | 1,023,237 | 997,004 | 988,093 | 966,342 |
| Operation and maintenance of plant | 971,881 | 926,787 | 961,151 | 851,118 |
| Transportation | 547,162 | 497,695 | 476,459 | 488,615 |
| Non-instructional programs | 15,187 | 11,799 | 12,784 | 12,896 |
| Other Expenditures: | | | | |
| Facilities Acquisition | 355,452 | 194,210 | 612,353 | 3,568,453 |
| Long-term debt: | | | | |
| Principal | 768,865 | 721,864 | 625,209 | 600,000 |
| Interest and other charges | 202,359 | 236,861 | 256,253 | 279,828 |
| AEA Flowthrough | 522,985 | 494,092 | 460,286 | 436,066 |
| Total | <u>\$ 14,222,809</u> | <u>\$ 13,236,700</u> | <u>\$ 12,901,189</u> | <u>\$ 14,998,208</u> |

Schedule 6

| Modified Accrual | |
|-------------------------|--------------------|
| 2005 | 2004 |
| <hr/> | |
| \$ 5,617,211 | \$ 4,988,529 |
| 203,510 | 186,899 |
| 558,505 | 432,540 |
| 5,180,289 | 4,692,680 |
| 389,042 | 431,026 |
| <hr/> 11,948,557 | <hr/> 10,731,674 |
| | |
| 4,548,117 | 4,502,074 |
| 1,109,891 | 1,267,711 |
| 1,102,055 | 867,876 |
| | |
| 298,770 | 290,962 |
| 445,567 | 489,514 |
| 894,523 | 842,722 |
| 696,566 | 646,831 |
| 435,149 | 464,428 |
| 13,321 | 14,123 |
| | |
| 3,016,635 | 298,711 |
| | |
| 570,000 | 545,000 |
| 74,396 | 84,535 |
| 432,179 | 435,808 |
| <hr/> \$13,637,169 | <hr/> \$10,750,295 |

**MOC-FLOYD VALLEY COMMUNITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2009**

| Schedule 7 | | | |
|--|----------------|-----------------|-------------------|
| Grantor/Program | CFDA Number | Grant Number | Expenditures |
| Indirect: | | | |
| U.S. Department of Agriculture: | | | |
| Iowa Department of Education: | | | |
| School Nutrition Cluster Programs: | | | |
| School Breakfast Program | 10.553 | FY09 | 18,049 |
| National School Lunch Program | 10.555 | FY09 | 171,588 |
| | | | <u>189,637 *</u> |
| U.S. Department of Education: | | | |
| Iowa Department of Education: | | | |
| Title I Grants to Local Educational Agencies | 84.010 | FY09 | 113,732 * |
| Vocational Education - Basic Grants to States | 84.048 | FY09 | 12,408 |
| ARRA - State Fiscal Stabilization Fund (SFSF)- | | | |
| Education State Grants, Recovery Act | 84.394 | FY09 | 107,922 |
| Safe and Drug-Free Schools and Communities - | | | |
| State Grants | 84.186 | FY09 | 5,967 |
| Fund for the Improvement of Education | 84.215 | FY09 | 118,372 * |
| English Language Acquisition | 84.365 | FY09 | 4,062 |
| Improving Teacher Quality State Grants | 84.367 | FY09 | 51,779 |
| Grants for State Assessments & | | | |
| Related Activities | 84.369 | FY09 | 8,522 |
| Western Hills Area Education Agency | | | |
| Special Education - Grants to States | 84.027 | FY09 | <u>90,475</u> |
| Total | | | <u>\$ 702,876</u> |

* Total expenditures from these programs exceed 50% of the total Federal Awards and are considered major programs

BASIS OF PRESENTATION

The Schedule of Expenditures of Federal Awards includes the federal grant activity of the MOC-Floyd Valley Community School District and is presented on the accrual or modified accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

**MOC-FLOYD VALLEY COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2009**

Schedule 8

Part I: Summary of the Independent Auditor's Results

- (a) Unqualified opinions were issued on the financial statements.
- (b) Significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements, including material weaknesses.
- (c) The audit did not disclose any non-compliance, which is material to the financial statements.
- (d) A significant deficiency in internal control over major programs was disclosed by the audit of the financial statements, which was considered to be a material weakness.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed no audit findings which are required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
 - CFDA Number 84.010 - Title I Grants to Local Educational Agencies
 - CFDA Number 84.215 - Fund for the Improvement of Education
 - Clustered programs:
 - CFDA Number 10.553 - School Breakfast Program
 - CFDA Number 10.555 - National School Lunch Program
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) MOC-Floyd Valley Community School District did not qualify as a low-risk auditee.

**MOC-FLOYD VALLEY COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2009**

Schedule 8

Part II: Findings Related to the Financial Statements

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

There were no prior year audit findings.

SIGNIFICANT DEFICIENCIES:

II-A-09 Financial Accounting – Segregation of Duties

Comment – One important aspect of internal control is the segregation of duties among employees to prevent an individual from handling duties which are incompatible. Incompatible duties, for accounting control purposes, are those duties that place a person in a position where they could both perpetuate and conceal errors or fraud. In performing our audit, we noted that one person has primary responsibility for many accounting and financial duties of the District.

Recommendations – The size of the District's accounting and administrative staff precludes certain internal controls that would be preferred if the staff were large enough to provide optimum segregation of duties. This situation dictates that the Board of Education and Superintendent remain actively involved in the financial affairs of the District to provide oversight and review functions. In addition, the District should periodically review the operating procedures and make changes as necessary to obtain the maximum internal control under the circumstances.

Response – District administration understands the nature of the weakness and the necessity for the Board and Superintendent to provide oversight and review functions. We will continue to review procedures of the District and make changes as deemed necessary and practical.

Conclusion – Response accepted.

II-B-09 Financial Reporting

Comment – During the audit, we identified material amounts of capital asset additions and other journal entries relating to a note payable to purchase property by the middle school not recorded in the District's financial statements. Adjustments were subsequently made by the District to properly include those amounts in the financial statements.

Recommendation – The District should implement procedures to ensure all capital asset additions and other adjustments are identified and included in the District's financial statements.

Response – We will double check these in the future to avoid missing any capital asset transactions or other adjustments.

Conclusion – Response accepted.

**MOC-FLOYD VALLEY COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2009**

Schedule 8

Part III: Findings and Questioned Costs for Federal Awards

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

SIGNIFICANT DEFICIENCY:

III-A-09 Financial Accounting – Segregation of Duties

Comment – One important aspect of internal control is the segregation of duties among employees to prevent an individual from handling duties which are incompatible. Incompatible duties, for accounting control purposes, are those duties that place a person in a position where they could both perpetuate and conceal errors or fraud. In performing our audit, we noted that one person has primary responsibility for many accounting and financial duties of the District.

Recommendations – The size of the District's accounting and administrative staff precludes certain internal controls that would be preferred if the staff were large enough to provide optimum segregation of duties. This situation dictates that the Board of Education and Superintendent remain actively involved in the financial affairs of the District to provide oversight and review functions. In addition, the District should periodically review the operating procedures and make changes as necessary to obtain the maximum internal control under the circumstances.

Response – District administration understands the nature of the weakness and the necessity for the Board and Superintendent to provide oversight and review functions. We will continue to review procedures of the District and make changes as deemed necessary and practical.

Conclusion – Response accepted.

**MOC-FLOYD VALLEY COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2009**

Schedule 8

Part IV: Other Findings Related to Statutory Reporting

- IV-A-09 Certified Budget – Disbursements for the year ended June 30, 2009 did not exceed amounts budgeted.
- IV-B-09 Questionable Disbursements – No disbursements were noted that they may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- IV-C-09 Travel Expense – No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- IV-D-09 Business Transactions – Business transactions between the District and District Officials are detailed as follows:

| Name, Title and Business Connection | Transaction Description | Amount |
|--|----------------------------|-----------|
| Gerald Van Roekel, Board Member Part-owner of Van Engelenhoven Agency | Insurance | \$144,567 |

This transaction may represent a conflict of interest and the District should contact legal council for determination.

- IV-E-09 Bond Coverage – Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- IV-F-09 Board Minutes – No transactions requiring Board approval which had not been approved by the Board were noted.
- IV-G-09 Certified Enrollment – No variances in the basic enrollment data certified to the Department of Education were noted.
- IV-H-09 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted.
- IV-I-09 Certified Annual Report – The Certified Annual Report was certified timely to the Department of Education.
- IV-J-09 Categorical Funding – No instances were noted of categorical funding being used to supplant rather than supplement other funds.

Part IV: Other Findings Related to Statutory Reporting – (Continued)

- IV-K-09 Statewide Sales and Services Tax – No instances of non-compliance with the use of the statewide sales and services tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Persuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales and services tax. For the year ended June 30, 2009, the District's financial activity and other required information for the statewide sales and services tax are as follows:

| | | | |
|--|----|---------|------------------|
| Beginning Balance | | \$ | - |
| Statewide Sales and Services Tax Revenue | | | 996,628 |
| Expenditures/transfers out: | | | |
| School Infrastructure: | | | |
| Other improvements | \$ | 28,549 | |
| Debt Service for School Infrastructure: | | | |
| Revenue Debt | | 949,374 | 977,923 |
| Ending Balance | | | <u>\$ 18,705</u> |

- IV-L-09 Deficit Balances – Two student activity accounts had deficit balances at June 30, 2009.

Recommendation – The District should continue to investigate alternatives to eliminate these deficits in order to return these accounts to a sound financial condition.

Response – The District is continuing to investigate alternatives to eliminate the deficit in the student activity accounts at the end of the fiscal year.

Conclusion – Response accepted.

- IV-M-09 Student Activity Fund – In accordance with Chapter 298A.8 of the Code of Iowa and Iowa Administrative Rule 281-12.6(1), moneys in the Student Activity Fund should be used to support only the extracurricular and co-curricular activities offered as part of the District's educational program. We found no accounts that didn't appear to be extracurricular or co-curricular in nature.

MOC-FLOYD VALLEY COMMUNITY SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2009

Schedule 8

Part V: Findings – Year Ended June 30, 2008:

V-A-09 Fund for Improvement of Education – CFDA No. 84.215

Condition – A review of grant expenditures found that an expenditure for grant writing fees was paid for with federal grant funds. Based on review of grant agreements this appears to not be an allowable expense under the grant.

Questioned Cost - \$15,000

Recommendation – The District should implement procedures to ensure that grant expenditures are allowed or approved by the grantor before the invoice is paid.

Current Status – On September 18, 2009 the Department of Education approved the District's plan to purchase \$15,000 of equipment to make the grant whole.

V-B-09 Financial Accounting – Segregation of Duties

Comment – One important aspect of internal control is the segregation of duties among employees to prevent an individual from handling duties, which are incompatible. Incompatible duties, for accounting control purposes, are those duties that place a person in a position where they could both perpetuate and conceal errors or fraud. In performing our audit, we noted that one person has primary responsibility for many accounting and financial duties of the District.

Recommendations – The size of the District's accounting and administrative staff precludes certain internal controls that would be preferred if the staff were large enough to provide optimum segregation of duties. This situation dictates that the Board of Education and Superintendent remain actively involved in the financial affairs of the District to provide oversight and review functions. In addition, the District should periodically review the operating procedures and make changes as necessary to obtain the maximum internal control under the circumstances.

Current Status – This finding still exists at June 30, 2009. (See comment III-A-09).

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND OTHER MATTERS AND ON
INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON
AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Education of the
MOC-Floyd Valley Community School District

We have audited the financial statements of the governmental activities, the business-type activity, each major fund, and the aggregate remaining fund information of the MOC-FLOYD VALLEY COMMUNITY SCHOOL DISTRICT as of and for the year ended June 30, 2009, which collectively comprise the MOC-Floyd Valley Community School District's basic financial statements, and have issued our report thereon dated December 7, 2009. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance and Other Matters:

As part of obtaining reasonable assurance about whether the MOC-Floyd Valley Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance that are required to be reported under *Government Auditing Standards*.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2009 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Internal Control Over Financial Reporting:

In planning and performing our audit, we considered the MOC-Floyd Valley Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the MOC-Floyd Valley Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the MOC-Floyd Valley Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that

adversely affects the MOC-Floyd Valley Community School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of the MOC-Floyd Valley Community School District's financial statements that is more than inconsequential will not be prevented or detected by the MOC-Floyd Valley Community School District's internal control. We consider the deficiencies in internal control described in the accompanying Schedule of Findings and Questioned Costs as items II-A-09 and II-B-09 to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by the MOC-Floyd Valley Community School District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe the significant deficiencies described above are material weaknesses.

The MOC-Floyd Valley Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the District's responses, we did not audit the MOC-Floyd Valley Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the board of education, management, employees and citizens of MOC-Floyd Valley Community School District and other parties to whom the MOC-Floyd Valley Community School District may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of MOC-Floyd Valley Community School District during the course of our audit. If you have any questions concerning any of the above matters, we would be pleased to discuss them with you at your convenience.

Williams & Company, P.C.
Certified Public Accountants

Le Mars, Iowa
December 7, 2009

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the Board of Education of the
MOC-Floyd Valley Community School District:

Compliance:

We have audited the compliance of MOC-Floyd Valley Community School District with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2009. MOC-Floyd Valley Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of MOC-Floyd Valley Community School District's management. Our responsibility is to express an opinion on MOC-Floyd Valley Community School District's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about MOC-Floyd Valley Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on MOC-Floyd Valley Community School District's compliance with those requirements.

In our opinion MOC-Floyd Valley Community School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009.

Internal Control Over Compliance:

The management of the MOC-Floyd Valley Community School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered MOC-Floyd Valley Community School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the MOC-Floyd Valley Community School District's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the entity's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified

a certain deficiency in internal control over compliance that we consider to be a significant deficiency and a material weakness.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item III-A-09 to be a significant deficiency.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. We consider item III-A-09 to be a material weakness.

MOC-Floyd Valley Community School District's response to findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit MOC-Floyd Valley Community School District's response and, accordingly, we express no opinion on it.

This report, a public record by law, is intended solely for the information and use of the board of education, management, employees and citizens of MOC-Floyd Valley Community School District and other parties to whom MOC-Floyd Valley Community School District may report, including federal awarding agencies and pass-through entities. This report is intended to be and should not be used by anyone other than these specified parties.

Williams + Company, P.C.
Certified Public Accountants

Le Mars, Iowa
December 7, 2009

**Schedule of Findings and Questioned Costs
Corrective Action Plan
June 30, 2009**

Department of Education:

MOC-Floyd Valley Community School District, respectfully submits the following corrective action plan for the year ended June 30, 2009.

The audit was performed by Williams & Company, P.C., P.O. Box 1010, Le Mars, Iowa, for the fiscal year ended June 30, 2009.

The findings from the June 30, 2009 Schedule of Findings and Questioned Costs are discussed below. The finding is numbered consistently with the number assigned in the schedule.

SIGNIFICANT DEFICIENCY:

III-A-09 – Financial Accounting – Segregation of Duties

Recommendation – The size of the District's accounting and administrative staff precluding certain internal controls that would be preferred if the staff were large enough to provide optimum segregation of duties. This situation dictates the Board of Education and Superintendent remain actively involved in the financial affairs of the District to provide oversight and review functions. In addition, the District should periodically review the operating procedures and make changes as necessary to obtain the maximum internal control under the circumstances.

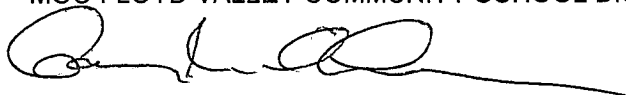
Response – District administration understands the nature of the weakness and necessity for the Board and Superintendent to provide oversight and review functions. We will continue to review procedures of the District and make changes as deemed necessary and practical.

Conclusion – Response accepted.

If the Department of Education has questions regarding this plan, please call Gary Richardson at 712-737-4873.

Sincerely yours,

MOC-FLOYD VALLEY COMMUNITY SCHOOL DISTRICT



Mr. Gary Richardson, Superintendent